

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 8, 2021

Alvarado Gardens, located at 100 Gateway Avenue in San Pablo, requested and is being recommended for a reservation of \$2,011,734 in annual federal tax credits to finance the new construction of 99 units of housing serving large families with rents affordable to households earning 30-80% of area median income (AMI). The project requested \$2,011,734 in state tax credits, but due to the limited availability, is not being recommended any state tax credits. The project will be developed by Danco Communities and will be located in Senate District 9 and Assembly District 15.

Project Number CA-21-674

Project Name Alvarado Gardens
Site Address: 100 Gateway Ave
San Pablo CA, 94806 County: Contra Costa
Census Tract: 3690.01

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,011,734	\$11,048,161
Recommended:	\$2,011,734	\$0

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: San Pablo Church Lane LP
Contact: McKenzie Dibble
Address: 5251 Ericson Way, Suite A
Arcata CA, 95521
Phone: (707) 825-1588
Email: mdibble@danco-group.com

General Partner(s) or Principal Owner(s): Johnson & Johnson Investments, LLC
San Pablo Economic Development Corporation
Danco Communities

General Partner Type: Joint Venture

Parent Company(ies): Danco Communities

Developer: Danco Communities

Bond Issuer: CMFA

Investor/Consultant: Redstone Capital

Management Agent: Danco Property Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 100
 No. / % of Low Income Units: 99 100.00%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: Tax-Exempt

Information

Housing Type: Large Family
 Geographic Area: East Bay Region
 TCAC Project Analyst: Nick White

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 11	11%
50% AMI: 11	11%
60% AMI: 57	58%
80% AMI: 20	20%

Unit Mix

48 1-Bedroom Units
 26 2-Bedroom Units
26 3-Bedroom Units
 100 Total Units

<u>Unit Type & Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 1 Bedroom	30%	\$770
5 1 Bedroom	50%	\$1,284
28 1 Bedroom	60%	\$1,541
10 1 Bedroom	80%	\$1,541
3 2 Bedrooms	30%	\$924
3 2 Bedrooms	50%	\$1,541
15 2 Bedrooms	60%	\$1,849
5 2 Bedrooms	80%	\$1,936
3 3 Bedrooms	30%	\$1,068
3 3 Bedrooms	50%	\$1,781
14 3 Bedrooms	60%	\$2,137
5 3 Bedrooms	80%	\$2,287
1 3 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$7,000,000
Construction Costs	\$26,372,502
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,318,625
Soft Cost Contingency	\$226,030
Relocation	\$0
Architectural/Engineering	\$1,551,960
Const. Interest, Perm. Financing	\$2,236,559
Legal Fees	\$115,000
Reserves	\$458,412
Other Costs	\$2,575,342
Developer Fee	\$5,059,721
Commercial Costs	\$0
Total	\$46,914,151

Residential

Construction Cost Per Square Foot:	\$322
Per Unit Cost:	\$469,142
True Cash Per Unit Cost*:	\$443,530

Construction Financing

Source	Amount
Pacific Western Bank - Tax Exempt	\$24,727,246
Pacific Western Bank - Tax-Exempt	\$2,200,000
City of San Pablo	\$2,000,000
Taxable Bonds - PWB	\$5,405,080
State Tax Credits	\$9,722,380
Tax Credit Equity	\$2,859,445

Permanent Financing

Source	Amount
Pacific Western Bank	\$15,354,072
City of San Pablo	\$2,000,000
Deferred Developer Fee	\$2,561,158
State Credit Backfill (TBD)	\$9,722,382
Solar Tax Credit Equity	\$176,800
Tax Credit Equity	\$17,099,739
TOTAL	\$46,914,151

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$38,687,196
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$2,011,734
Total State Credit:	\$0
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,059,721
Investor/Consultant:	Redstone Capital
Federal Tax Credit Factor:	\$0.85000
State Tax Credit Factor:	\$0.88000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Significant Information / Additional Conditions: None.

Resyndication and Resyndication Transfer Event: None.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.